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SUBJECT: MAIZE FLOUR CRISIS IN KENYA: THE UNSTABLE POLITICS OF  
FOOD

REFS: (A) FAS GAIN Report KE8023 (B) Nairobi 2605 (C) Nairobi 2864  
(D) FAS GAIN Report KE8024 (E) FAS GAIN Report KE8031  
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Summary  
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11. (U) Rising maize flour prices, up 119 percent from November 2007 to November 2008, combined with the Kenyan staple's reduced availability and higher prices for other staple foods, are putting approximately 5 million Kenyans at risk of "severe hunger and destitution," according to a recent Ministry of Agriculture report. The crisis, while at its core is directly related to high input costs and poor agricultural and trade policies, has been severely exacerbated by post-election violence, corruption, and government confusion over how to react to the situation. Government decisions to release strategic reserves, boost maize imports, and drop duties have begun to bring maize flour prices down. However, these are short term solutions to a longer term issue. Without comprehensive action, higher food prices and periodic shortages (real or imagined) could bring even greater instability to Kenya, particularly when combined with the slow pace of political and economic reform here. One positive sign is the December 9 adoption by parliament of the Bio-Safety Bill which is awaiting President Kibaki's signature. End summary.

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The Problem  
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12. (U) Over the last year, maize flour prices (maize flour is a staple food for Kenyans) have increased by 119 percent. The impact on the 46 percent of Kenyans who live on approximately two dollars/day or less has been significant, with increasing number of Kenyans blaming the government for mishandling the situation and being unable to address it. Recent anti-government protests (ref c) have included anger over high prices. Food prices in Kenya started rising ahead of the post-election violence earlier in 2008 in

concert with the global price surge. The violence, which occurred in the major agricultural areas, had a significant impact on the availability of maize with a reported 2 million of bags of meal burned and thousands of Kenyans forced off productive farms, halting planting and ultimately affecting the harvest. Added to this were prohibitive prices on agricultural inputs such as fertilizer as well as the increased cost of land preparation, also due to the high price of fuel. At the same time, ongoing quality issues at National Cereals Production Board (NCPB) warehouses have exacerbated the maize shortfall - about 15 percent of grain stored in NCPB facilities is thought to be lost every year due to poor storage conditions. Price pressures from the violence and the resulting maize shortfall combined with high input costs and previously anticipated shortfalls created opportunities for farmers, traders, and millers to seek higher prices.

13. (U) In a recent meeting with GOK Ministry of Agriculture Permanent Secretary (PS) Romano Kiome, he told us there was no maize shortage in Kenya. The "shortage" and subsequent price increases had been created by speculation in the market and hoarding by traders. Kiome denied that the situation had been aggravated by the post-election violence, asserting that the maize flour "shortage" was not new. Dr. Kiome was more concerned about a true maize production shortfall in the June/July 2009 timeframe. He passed us a Ministry of Agriculture food security update for November 2008 which blamed millers and traders for holding back supplies and "distorting the market." The report added that rising food prices are putting approximately 5 million people at risk of "severe hunger and destitution."

14. (U) Long term (refs a and d), Kenyans, particularly the poorest, have been hurt by the GOK's agricultural policies. Maintaining a 50

percent duty on imported corn and prohibiting the importation of bio-tech imported corn has discouraged competition, helped keep prices high, and dampened the country's ability to significantly increase production.

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Government Solutions/Outcome  
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15. (U) In recent weeks, the government has begun to take action to address the short term problem of high food prices, particularly of maize meal. The government's efforts appear to be paying short term dividends. Maize flour prices have begun to come down to KSH 70-72 per 2 kg bag of maize flour from a high of KSH 98-105 per 2 kg bag. The GOK's initial steps to address the address have included:

- temporarily dropping the 50 percent duty on imported maize as of November 30 for up to seven million 90 kg bags
- importing five million 90 kg bags of maize flour itself
- allowing millers to import another two million 90 kg bags
- releasing 700,000 bags from strategic reserves

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Long Term Requirements  
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16. (U) The government's response, however, has not addressed the fundamentals of Kenya's volatile agricultural production and distribution system. Dr. Kiome noted that the expected "real" maize shortage should come by mid-2009. Two elements in particular could make a difference in Kenya's food security situation in the coming years. The first element is allowing farmers, importers, researchers and others to work with biotechnology. On December 9, the Kenyan Parliament (ref e) adopted the Bio-Safety bill which, if signed by the President provides for:

- a legal framework governing activities (research, import, handling and export) related to genetically modified organisms; and,
- establishment of the National Bio-Safety Authority to regulate

all activities pertaining to GMO.

The second element is the elimination of market and production distorting policies that drive prices up and create periodic shortages. The permanent elimination of the 50 percent import duty on imported corn and as well as a halt to corn export bans in Kenya and the region as a whole would rationalize the maize market. Combined with the possibility that permission will soon be granted for the importation of GMO corn, Kenya could see an improvement in the availability and price for staple foods like maize flour. Absent such changes, however, Kenya's perennial instability in the maize market is expected to continue.

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Comment  
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17. (SBU) There are two obvious concerns for policymakers presented by high maize prices and an unstable market. One is general instability caused when basic staple foods are in short supply and increase rapidly in price. Second, the market distorting policies noted above provide opportunities for corrupt actors to manipulate the price and availability of maize for personal and/or political gain. Such activities put Kenya and Kenyans at risk when accompanied by the still unresolved issues brought up during and after last year's elections. Long term and systemic political and economic reforms, including in the agricultural sector are the only answer to both of these concerns.

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